# <u>Public Budget</u>

## Introduction

Public budget can be defined the government receipts of allocation of resources and from where it is coming. Tax and non-tax revenue can be differentiated based on some criteria as from where the revenue is coming either through by putting taxes or by printing money, fines and so on. A good or ideal tax system can be very difficult to implement but based on some criteria and the conditions of the economy the authorities can choose which can fit the best.

Taxation has both negative as well as positive effects in different sectors of the society as on the production, consumption, distribution and allocation of resources. How to allocate the tax burden and to whom is should be imposed, the ability to pay theory and benefits received theory give that answer in the different prospective.

## Public budget

Like any other economic units, a government needs funds to finance its activities. Such funds are raised from various sources. Some of these are taxes, income from currency, market borrowings, sale of public assets, income from public undertakings, fees, fines, gifts and donations, etc. professor Dalton has made a distinction between public receipts and public revenue. While public receipts include receipts from all sources, public revenue is a narrower concept and excludes public borrowing, income from the sale of public assets, or receipts from the use of “printing press”.

We can divide the all receipts into revenue and capital categories. Revenue receipts include routine and earned ones. For this reason, they don’t include borrowing and recovery of loans from other parties, but they do include borrowings and recovery of loans from other parties, they do include tax receipts, donations, grants, fees, and fines etc. capital receipts, on the other hand, cover those receipts which basically of non-repetitive and non-routine variety and change governments financial liabilities.

## Revenue receipts:

These receipts are divided into tax and non-tax revenue.

Tax- revenue is divided into three sections:

(a) Taxes on income and expenditure: This section covers all those taxes which are levied on receipts of income and expenditure such as corporation tax, income tax, expenditure tax, interest tax, and similar other taxes if any in force.

(b) Taxes on property and capital transactions: This section covers taxes on specific forms of wealth and its transfer suchas estate duty, wealth tax, gift tax, house tax, land revenue and stamps and registration fees etc.

(c) Taxes on commodities and services: This section includes taxes on production, sale, purchase, transport, storage, and storage, and consumption of goods and services.

Non-tax revenue of the government can be divided into three sections:

(a) Currency, coinage, and mint: this category covers the receipts of currency note press at Nasik, Security paper Mill at Hosangabad, Bank Note press at Dewas and of the mints. Profit from circulation of small coins is also included.

(b) Interest Receipts, dividends and profits: This section includes apart from interest receipts on loans by government to other parties, dividends and profits from public sector undertakings run by or as government departments including other income generating departments. Examples are contributions from railways and posts and telecommunication and surplus profits of Reserve Bank of Indiatransferred to the government.

(c) Other non-tax revenue: This section covers revenue from various government activities and services such as from administrative services, public service commission, police , jails, agriculture, and allied services, industry and minerals, water and power development services, transport and communications , supplies and disposal, public works, education, housing, information, and publicity, broadcasting , grants-in-aid and contributions etc. income and profits from the creation of currency by the government, i.e. , the excess of face value of currency over its cost of creation are included in this group of revenue.

**Capital receipts**

Capital receipts of the government take many forms. The most important one comprises of fresh borrowings which can be classified in terms of their origin and maturity etc. for example, on the basis of origin, public borrowings may be external, or internal. In terms of maturity, there may be non-terminable, “long term’, “medium term”, or “short term” loans with specific demarcation of boundaries for each. They may be marketable or non-marketable, interest-free or interest-earning etc.

The next category of receipts covers recovery of loans due from debtors to the government. Some capital receipts may be in the form of grants and donations, deposits, and appropriation to various funds and so on.

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